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VETERANS' EDUCATIONAL ASSISTANCE ELIGIBILITY AMENDMENTS OF 1985

MARCH 7, 1985.—Ordered to be printed

Mr. MONTGOMERY, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 752 which on January 28, 1985, was referred jointly to the Committee on Veterans' Affairs and the Committee on Armed Services]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 752) to amend title 38, United States Code, to ensure an orderly transition to the new educational assistance program established by chapter 30 of that title, having considered the same, report favorably thereon without amendment, by unanimous voice vote, and recommend that the bill do pass.

INTRODUCTION

H.R. 752, the Veterans' Educational Assistance Eligibility Amendments of 1985, was introduced by Mr. Montgomery on January 18, 1985, and jointly referred to the Committees on Veterans' Affairs and Armed Services.

The provisions of this bill are consistent with the intent of the Committee when it reported H.R. 1400 in the 97th and 98th Congresses following extensive hearings. On March 6, 1985, the full Committee approved H.R. 752, without amendments, and ordered the bill reported.

SUMMARY OF H.R. 752

1. The short title of this act is the "Veterans' Educational Assistance Eligibility Amendments of 1985."

2. The effective date of the new GI bill (chapter 30, title 38, United States Code) would be changed from July 1, 1985, to the date of enactment of the reported bill.

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3. Eligibility for educational assistance under Public Law 98-525 would be expanded to include those individuals with prior service who return to active duty.

Discussion of the Bill

The Department of Defense Authorization Act of 1984 (Public Law 98-525) established a new GI bill for individuals who enter the military on or after July 1, 1985. As has been the case with previous GI bills, the purpose of the new GI bill is as follows:

1. To provide a new educational assistance program to assist in the readjustment of members of the Armed Forces to civilian life after their separation from military service;

2. To promote and assist the All-Volunteer Force program and the total force concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve (including the National Guard) to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces; and

3. To give special emphasis to providing educational assistance benefits to aid in the retention of personnel in the Armed Forces.

As passed by the House last year, the new GI bill would have had an effective date of October 1, 1984. In conference, however, the other body insisted the effective date be delayed until July 1, 1985. This delayed date is causing young people to postpone entering the military in order to take advantage of the educational assistance benefits. This obviously creates major problems through the disruption of military training programs which are geared to an orderly flow of new recruits.

Additionally, the other body refused to accept the House-passed provision allowing those on active duty on or after October 1, 1984, who otherwise meet the requirements, to be eligible for the new educational assistance program. The other body insisted that eligibility be limited to those who first enter on active duty on or after July 1, 1985, thus eliminating from eligibility those individuals with prior service.

In view of the problems associated with the July 1, 1985, effective date and the exclusion of prior service personnel from participation in the new GI bill, the chairman of the Committee introduced on January 28, 1985, the "Veterans' Educational Assistance Eligibility Amendments of 1985". The purpose of this bill is to ensure an orderly transition to the new educational assistance program established by chapter 30 of title 38, United States Code.

In an effort to avoid the problems created by the July 1, 1985, eligibility date, H.R. 752 would amend the date of the new program to the date of enactment of the reported bill. The concern expressed by the services that there may be a downturn in accessions before July 1, 1985, as potential recruits hold back on enlistment in order to receive the new benefits, is a legitimate one that can be allayed by the rapid enactment of H.R. 752.

It should also be remembered that one of the purposes of the new GI bill is to attract high quality young people who are interested in further education. It is precisely these desirable recruits who will

delay their enlistment in order to qualify under the new GI bill. A recent study has again confirmed that new service personnel in mental categories I and II are 9.5 percentage points less likely than those in category IIIB to leave service early. The same study discovered fewer first-term losses among new servicepersons who entered the military with definite plans for future civilian education. Our military needs these smart young people and to delay their induction into the services makes no sense.

In conference last year, it was pointed out to the other body that a July 1 beginning date would result in the problems we are now seeing in recruitment and training. Action must be taken quickly to alleviate such difficulties.

The recruitment aspects of the new GI bill would be enhanced by the provision in H.R. 752 which extends eligibility for educational assistance benefits to those individuals with prior service who return to active duty. Attracting these servicemembers provides a real bonus to the services. Because of their prior experience in the service, these individuals require less training and often reenter the military with high tech skills that are needed in today's sophisticated Armed Forces. It simply makes no sense not to provide educational incentives to skilled individuals who desire to return to active duty.

Under H.R. 752, servicemembers who enter on active duty after the date of enactment will not be eligible to participate in the educational assistance program established under chapter 32 of title 38, United States Code. This provision does not, however, in any way affect the eligibility of those who are already on active duty on the date of enactment of H.R. 752 to participate in the VEAP program. These individuals may initiate their participation in this program through June 30, 1985.

Oversight Findings

Because the new GI bill was not enacted until October 19, 1985, no oversight hearings have yet been held. The issues addressed by the reported bill, however, were reviewed during extensive hearings in the 97th and 98th Congresses.

No oversight findings have been submitted to the Committee by the Committee on Government Operations.

Budget Statement

As required by the Rules of the House, the following letter was received from the Congressional Budget Office concerning the cost of H.R. 752.

U.S. Congress,
Congressional Budget Office,
Washington, DC, March 5, 1985.

Hon. G.V. Montgomery,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, DC.

Dear Mr. Chairman: In response to your request of January 25, 1985, CBO has prepared the attached cost estimate for H.R. 752,

the Veterans' Educational Assistance Eligibility Amendments of 1985, as introduced January 28, 1985.

Should the Committee so desire, we would be pleased to provide further on the attached cost estimate.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 752.

2. Bill title: Veterans' Educational Assistance Eligibility Amendments of 1985.

3. Bill status: Introduced in the House of Representatives, January 28, 1985.

4. Bill purpose: To amend title 38, United States Code, to ensure an orderly transition ot the new educational assistance program established by chapter 30 of that title.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1985	1986	1987	1988	1989	1990
Budget authority	17	−6	1	1	3	3
Outlays	−2	−5	2	2	6	6

Basis for estimate: The 1985 defense authorization bill, Public Law 98-525 authorized a new educational benefits program for those individual becoming members of the Armed Forces between July 1, 1985, and June 30, 1988. H.R. 752 would move up the date of the beginning of the program from July 1, 1985, to the date of enactment of H.R. 752. This estimate assumes tht H.R. 752 will be enacted as of May 1, 1985, and that those entering the Armed Forces on or after that date will be eligible to enroll in the new educational benefits program.

These individuals would not be eligible to enroll in the Post-Vietnam Era Veterans Program (VEAP). The estimated cost of H.R. 752 to the Federal Government is for the training of those who join the new educational benefits program between May 1, 1985, and June 30, 1985.

The new educational benefits program provides educational assistance for veterans and active and reserve members of the armed services. Eligibility is limited to those individuals who serve at least two years of continuous active duty or enlist, reenlist, or extend an enlistment for six years in the Selected Reserve. Servicemembers choosing to enroll in the program must contribute $100 per month for the first twelve months they serve in the Armed Forces. The basic educational assistance, which is funded by the Veterans' Administration (VA), will provide up to $300 for up to 36 months for those training full time who serve at least three years on continuous active duty after July 1, 1985.

Additional educational benefits of up to $400 per month will be provided, at the discretion of the Secretary of Defense for those who enlist in a skill or speciality designated as critical or in short

supply. Supplemental benefits of up to $600 per month will be provided at the discretion of the Secretary of Defense, for those who serve five additional years on active duty. The program also provides benefits of $140 a month for those enlisting in the Selected Reserve for six years. The supplemental benefits and benefits for members of the Selected Reserve are funded on an accrual basis by the Department of Defense.

The following table shows the estimated budgetary impacts of H.R. 752 on functions 700, 050, and 950. The costs are based on data on training utilization rates in the current readjustment benefits and Post-Vietnam Era GI Bill Programs.

[By fiscal year, in millions of dollars]

	1985	1986	1987	1988	1989	1990
FUNCTION 700						
Readjustment benefits:						
Budget Authority	0	0	(1)	2	6	6
Outlays	0	0	(1)	2	6	6
Educational benefits fund:						
Budget authority	20	1	1	1	1	1
Outlays	0	0	2	3	5	5
Contributions from servicemembers: [2]						
Budget authority	−3	−7	0	0	0	0
Outlays	−3	−7	0	0	0	0
Reduction in VEAP:						
Budget authority	0	0	0	0	0	0
Outlays	1	2	(3)	−1	−1	−1
Total function 700:						
Budget authority	17	−6	1	3	7	7
Outlays	−2	−5	2	4	10	10
FUNCTION 050						
Payments to educational benefits fund:						
Budget authority	20	0	0	0	0	0
Outlays	20	0	0	0	0	0
Reduction in VEAP:						
Budget authority	0	0	0	−2	−4	−4
Outlays	0	0	0	−2	−4	−4
Total Function 050:						
Budget authority	20	0	0	−2	−4	−4
Outlays	20	0	0	−2	−4	−4
FUNCTION 950						
Offsetting receipts:						
Budget authority	−20	0	0	0	0	0
Outlays	−20	0	0	0	0	0

[1] Costs of less than $500,000.
[2] This account is temporarily assigned to function 700. It was not included in the budget and could be shown as an offsetting receipt in function 050 instead of in function 700.
[3] Savings of less than $500,000.

FUNCTION 700

Readjustment benefits

The budget authority and outlays shown under this account reflect the training expenditures for the $300 basic benefit. This expenditure is funded by the V.A., and represents the additional ex-

penditures necessary for training those servicemembers who would join the armed forces between May 1, 1985, and June 30, 1985, and would choose to enroll in the educational benefits program.

Educational benefits fund

The budget authority in this fund is comprised of the accrual payment by DoD for supplemental and reserve benefits and interest accrued by the fund. The outlays represent estimated use of supplemental and reserve training benefits for those who would join the educational benefits program between May 1, 1985 and June 30, 1985.

Contributions from servicemembers

The funds collected from servicemembers, who must pay $100 a month for 12 months in order to receive benefits, are included in this account. This estimate assumes that about 7,700 new servicemembers would choose to enroll in the program between May 1, 1985, and June 30, 1985.

Reduction in VEAP

The VEAP account in function 700 records contributions from servicemembers as offsetting receipts (negative outlays) and payments of contributions for training as positive outlays. Since VEAP contributions would decline in the early years and since these contributions would be recorded as negative outlays, outlays would increase in the early years. In the later years, the payment of contributions for training would decline, resulting in falling outlays.

FUNCTION 050

Payments to the educational benefits fund

This represents the accrual payment to the educational benefits fund by DoD for those who would be estimated to receive supplemental benefits or educational benefits as members of the Selected Reserve.

Reduction in VEAP

These payment the savings to the Department of Defense for the training which would no longer occur under VEAP because of the ineligibility of those who will enter the armed forces between May 1, 1985, and June 30, 1985, and who would have trained under VEAP.

FUNCTION 950

Offsetting receipts

This account serves to offset the outlays and budget authority transferred from function 050 to 700 so that there will be no double counting in the budget.

6. Estimated cost to State and local Governments: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by enactment of this bill.

7. Estimate comparison: None.

8. Previous CBO estimate: None.
9. Estimate prepared by: Kelly Lukins and Ed Shephard.
10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

Cost

The Committee agrees with the cost estimate submitted by the Congressional Budget Office.

Inflationary Impact Statement

The reported bill will have no inflationary impact in fiscal year 1986.

Agency Report

The following report expresses the views of the Department of Defense on H.R. 752, as reported.

The Assistant Secretary of Defense,
Washington, DC, March 1, 1985.

Hon. G.V. (Sonny) Montgomery,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, DC.

Dear Mr. Chairman: Thank you for your letter of 29 January 1985. The Department of Defense is concerned that the 1 July start date of the new G.I. Bill will cause high-quality young people to delay entry on active duty until after 1 July. This, in turn, would create an undesirable surge in military training programs. The Department supports changing the 1 July start date to the date of enactment of H.R. 752. Enclosed is our estimate of the costs associated with this change.

H.R. 752 as written would extend the new benefit to any individual who reenlists. The Department is not in favor of this expansion of eligibility as contained in H.R. 752.

We also want to ensure that personnel currently on active duty are afforded an opportunity to apply for the Post-Vietnam Era Veterans' Educational Assistance Program (VEAP) thourgh 30 June 1985. The Services need this time to notify their members that they are not eligible for the new program and must be enrolled by 30 June 1985 in order to participate in VEAP. H.R. 752 should also allow the Services until 1 July 1985 to complete the administrative procedures associated with the new G.I. Bill.

With the above changes in place, the service member would be ensured equitable treatment, and the Services would have the flexibility needed to implement the new program.

Sincerely,

Lawrence J. Korb,
Assistant Secretary of Defense
(Manpower, Installations & Logistics).

Enclosure.

INFORMATION PAPER

Subject: Legislative Changes to "Veterans' Educational Assistance Act of 1984," PL 98-525.

Proposed Change: Move starting date of new program from 1 July 1985 back to H.R. 752 date of enactment (ex. 1 April 1985). Members accessed during this period will be automatically enrolled unless they choose not to participate.

Rationale: Services are concerned that there could be a down turn in accession before 1 July 1985 as potential recruits hold back on enlistment in order to receive the new benefits. This change will help to ease problems in recruiting, scheduling the training base and maintaining quality accessions. It is estimated that between 1 April 1985 and 1 July 1985 there will be approximately 86,666 first time accessions. This figure assumes that individuals will not delay entry to 1 July 1985 in order to qualify for the new benefit. The cost of the basic benefit for these new accessions is figured with the following assumptions:

1. First year attrition of 20 percent.
2. Thereafter, attrition at 5 percent.
3. First term reenlistment rate of 50 percent.
4. Usage rate for those who leave at Expiration of Term of Service (ETS)—30 percent.

	Basic benefit
Fiscal year:	
1986	
1987	
1988	$7.5
1989	25.0
1990	25.0
1991	25.0

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

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PART III—READJUSTMENT AND RELATED BENEFITS

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CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE PROGRAM

* * * * * *

Subchapter II—Basic Educational Assitance

§ 1411. Basic educational assistance entitlement for service on active duty

(a) Except as provided in subsection (c) of this section each individual—

(1) who—

(A) during the period beginning on [July 1, 1985,] *the date of the enactment of the Vetrans' Educational Assistance Eligibility Amendments of 1985* and ending on June 30, 1988, [first] becomes a member of the Armed Forces or [first] enters on active duty as a member of the Armed Forces and—

(i) who *after such date of enactment* (I) serves at least three years of continuous active duty in the Armed Forces, or (II) in the case of an individual whose initial period of active duty is less than three years, serves at least two years of continuous active duty in the Armed Forces; or

(ii) who *after such date enactment* serves in the Armed Forces and is discharged or released from active duty (I) for a service-connected disability or for hardship, or (II) for the convenience of the Government, in the case of an individual who completed not less than 20 months of active duty, if the initial obligated period of active duty of the individual was less than three years, or in the case of an individual who completed not less than 30 months of active duty if the initial obligated period of active duty of the individual was at least three years; or

* * * * * * *

(c)(1) An individual described in subsection (a)(1)(A) of this section may make an election not to receive educational assistance under this chapter. Any such edition shall be made at the time the individual [initially enters] *enters, after the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985,* on active duty as a member of the Armed Forces. Any individual who makes such an election is not entitled to educational assistance under this chapter.

* * * * * * *

§ 1412. Basic educational assistance entitlement for service in the Selected Reserve

(a) Except as provided in subsection (c) of this section, each individual—

(1) who—

(A) during the period beginning on [July 1, 1985,] *the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985* and ending on June 30, 1988, [first] becomes a member of the Armed Forces or [first] enters on active duty as a member of the Armed Forces and—

(i) serves, *after such date of enactment,* at least two years of continuous active duty in the Armed Forces characterized by the Secretary concerned as honorable service; and

(ii) subject to subsection (b) of this section and after completion of the service on active duty described in subclause (i) of this cause, serves at least four years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in training as required by the Secretary concerned; or

* * * * * * *

(d)(1) An individual described in subsection (a)(1)(A) of this section may make an election not to receive educational assistance under this chapter. Any such election shall be made at the time the individual [initially enters] *enters, after the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985,* on active duty as a member of the Armed Forces. Any individual who makes such an election is not entitled to educational assistance under this chapter.

* * * * * * *

§ 1413. Duration of basic educational assistance

(a)(1) * * *

(2) In the case of an individual described in section 1411(a)(1)(A)(ii)(I) of this title who is not also described in section 1411(a)(1)(A)(i) of this title or an individual described in section 1411(a)(1)(B)(ii)(I) of this title who is not also described in section 1411(a)(1)(B)(i) of this title, the individual is entitled to one month of educational assistance benefits under this chapter for each month of active duty served by such individual *after the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985.*

(b) Subject to section 1795 of this title and subsection (c) of this section, each individual entitled to basic educational assistance under section 1412 of this title is entitled to (1) one month of educational assistance benefits under this chapter for each month of active duty served by such individual *after the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985,* and (2) one month of educational assistance benefits under this chapter for each four months served by such individual *after such date of enactment* in the Selected Reserve (other than any month in which the individual served on active duty).

* * * * * * *

§ 1416. Inservice enrollment in a program of education

A member of the Armed Forces who has completed at least two years of service on active duty after [June 30, 1985,] *the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985,* has continued on active duty or in the Selected Reserve without a break in service (except as described in section 1412(b)(2) of this title), and who but for section 1411(a)(1) or 1412(a)(1) of this title would be eligible for basic educational assist-

ance may receive educational assistance under this chapter for enrollment in an approved program of education while continuing to perform the duty described in section 1411(a)(1) or 1412(a)(1) of this title.

* * * * * * *

SECTION 704 OF THE VETERANS' EDUCATIONAL ASSISTANCE ACT OF 1984

SUSPENSION OF RIGHT TO ENROLL IN CHAPTER 32 PROGRAM

SEC. 704. *(a)* No individual on active duty in the Armed Forces may initially enroll in the educational assistance program provided for in chapter 32 of title 38, United States Code, during the period beginning on July 1, 1985, and ending on June 30, 1988.

(b) No individual who becomes a member of the Armed Forces or enters on active duty as a member of the Armed Forces on or after the date of the enactment of the Veterans' Educational Assistance Eligibility Amendments of 1985 may enroll in the educational assistance program described in subsection (a) before July 1, 1988.

O